

M e m o r a n d u m

To: Panel Members Date: September 22, 2006

From: Creighton Chan, Manager Analyst: D. Woodside

Subject: One-Step Agreement for **SEALY, INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce
Moving To A High Performance Workplace
Developed Jointly By Management And Workers
- Type of Industry: Manufacturing /Mattresses
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - Worldwide: 6,250
 - In California: 750
- ETP Trainees Represented by Union: Yes
- Name and Local Number of Union Representing ETP Trainees: United Furniture Workers of America, AFL-CIO, Local 262; Communications Workers of America Local 9400; and Teamsters Local 986

CONTRACT:

- Program Costs: \$324,000
- Substantial Contribution: \$0
- Total ETP Funding: \$324,000
- Total In-kind Contribution: \$352,800
 - Trainee Wages Paid During Training: \$352,800
 - Other Contributions: \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Contra Costa and Los Angeles

INTRODUCTION:

According to its representatives, Sealy, Inc. (Sealy), started in 1881, has grown to be the largest bedding manufacturer in the world. Sealy manufactures and markets a broad range of mattresses and foundations under the Sealy, Sealy Posturepedic, Stearns & Foster, and Bassett brand names. The company's customers include sleep shops, furniture and department stores, warehouse clubs, and mass merchandisers, as well as the hospitality industry. Sealy employs a total of 515 Californians at its two manufacturing facilities located in Richmond and South Gate, which will both be participating in the proposed ETP training program.

Sealy is a manufacturer of mattresses who faces out of state competition and is eligible for ETP funding under Title 22 California Code of Regulations, Section 4416(b). This proposal will assist Sealy retrain all of its front-line workers in Richmond and South Gate in lean manufacturing skills necessary to implement a high performance workplace. The goal of this extensive retraining effort is to create a customer centric focus, improved product quality and service, increased customer responsiveness, and a renewed focus on waste elimination and enhanced productivity.

MEETING ETP GOALS AND OBJECTIVES:

Sealy proposes training that will further the following ETP goals and objectives:

- 1) In order to launch multiple products in the coming year, Sealy must retrain its entire workforce in advanced continuous improvement skills including Kaizen and lean manufacturing. This training will enable the company's workforce to become proficient in skills to remain competitive on a global basis. As a result, this training promotes the retention of California's manufacturing workforce.
- 2) The training outlined in this Agreement will facilitate the company's move towards a high performance workplace comprised of frontline workers who can problem-solve and implement process improvements. This emphasis meets ETP's legislative funding priority to support the adaptation of the high performance workplace among the state's manufacturers.
- 3) To develop the skills of its workers and secure their long-term employment in high-wage, high-skill jobs.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Average Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainees	Menu: Continuous Improvement	360	24-200	0	\$900	\$15.25 - \$60.00
Wages After 90-Day Retention						
<u>Occupation</u>						
Production Workers						
Administrative Staff						
Managers						
Supervisors						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Although the company pays health benefits for trainees, the hourly contribution is not being used to meet ETP minimum wage requirements.					<u>Turnover Rate</u> 3.9%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 10%
<u>Other Employee Benefits:</u> In addition to medical, dental, and a prescription drug plan, Sealy provides its employees with a Flexible Spending Plan, a 401K/Profit Sharing Plan, Life Insurance, paid vacation and holidays, and a Salary Continuation/Long-Term Disability Plan.						

COMMENTS / ISSUES:

➤ ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee) except for 36 managers and supervisors.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

RECOMMENDATION:

Staff recommends that the Panel approve this Agreement because this project meets the Panel's priorities and will foster retention of high-wage, high-skilled jobs in an industry threatened by out-of-state and global competition.

NARRATIVE:

In order to survive in a highly competitive global marketplace, Sealy is requesting the Panel's assistance to pay for a portion of its lean manufacturing training program. ETP funds will help provide 360 workers with an average of 50 hours of classroom and laboratory training in Sealy's Kaizen program called Lean 2010 which is rooted in cell-based production, a change in corporate culture, and a commitment to customer responsiveness. Such training will assist this long-time manufacturer to transform into a technology-driven, fast-paced company of the "new economy" with employees working smarter to produce a variety of products in less time at a lower cost. Lean 2010 must be aggressively implemented throughout both manufacturing facilities and across the entire workforce to be successful. All employees will need to be equipped with problem-solving and decision-making skills. Courses will include quality concepts, just-in-time processes, lean service, and process improvement in operation, quality control, and inspection procedures.

Commitment to Training

To date, a significant amount of the training that has existed at Sealy has been largely safety-focused and each year the company picks additional courses to enhance its safety program overall. For instance, in 2004, Sealy provided training in first aid and CPR, handling of flammable and combustible liquids, and equipment safety. The company's ongoing training efforts also include courses in customer service and leadership skills for supervisors. In addition, Sealy provides a significant amount of traditional on-the-job training. However, the company realizes that it cannot continue to compete against off-shore manufacturing unless it can upgrade the skills of its California workforce and compete more effectively. ETP funds will allow Sealy to provide a greater amount of classroom/laboratory training hours to its entire workforce quickly while still launching several new products. The company is committed to incorporating Lean manufacturing principles and practices into its on-going training program upon completion of ETP-funded training.

SUBCONTRACTORS:

The IM Group (Los Angeles, CA) will provide administrative services for an amount not to exceed 10 percent of the Agreement amount earned.

THIRD PARTY SERVICES:

The IM Group (Los Angeles, CA) assisted Sealy with completion of its ETP application for a flat rate of \$5,000.








SEALY, INC.

MENU CURRICULUM

Class Lab Hours
24-200

Trainees will receive any of the following:

CONTINUOUS IMPROVEMENT

-  Kaizen Breakthrough
-  Business Process Kaizen Workshop
-  Managing Daily Improvement (MDI)
-  Lean Sigma Process Improvement
-  Standard Lean Operations
-  Lean Sigma Value Chain
-  Complex Assemblies-setup reduction
-  Conventional Assembly – Quantity
-  Level-load customer demand
-  Streamline new order process
-  Lean System Configuration
-  Shop floor Kaizan
-  Point Kaizan
-  Point Lean Training
-  Just in Time
-  Design for Lean

Comment: The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)



SEALY MATTRESS COMPANY

1130 7th Street • Richmond, California 94801 • Phone 510/235-7171 • Fax 510/235-6450

Agency Agreement Form

April 28, 2006

Contract Development Unit
Employment Training Panel
Sacramento, CA

Re: Agency Agreement between Sealy Mattress

This letter sets forth the scope of the agreement between the Representative (Sealy Mattress) and the Contractor (The IM Group) with respect to granting authority to act on behalf of Sealy Mattress relating to matters with and before the Employment Training Panel of the State of California ("ETP").

This agency agreement shall be effective from the date of this document and shall continue through term of the training program.

Sealy Mattress grants The IM Group limited authority as described herein to represent it on those matters relative to the development and establishment of a training program (the "Program") funded through the ETP in accordance with the regulations and policies of the ETP.

This letter grants The IM Group limited authority with respect to the acquiring of ETP funding for a Program and for the administration of that Program:

1. Authority to initiate communications with the ETP and its staff relevant to the development and established of the Program which will enable Sealy Mattress to participate in and secure funding from the ETP for the training of certain eligible employees.
2. Authority to attend and/or represent Sealy Mattress at all Program related meetings including those relative to the securing of the ETP Agreement.
3. Authority to receive all written communications from the ETP staff to including, but not limited to, requests for information and to receive directly from the ETP staff all verbal requests for information about the Sealy Mattress application.
4. Authority to prepare and submit to the ETP any non-confidential information relative to the securing of the ETP Agreement. Such information shall include, but is not limited to, the outline and such other forms and/or documents required by or requested by the ETP.
5. Authority to attend with Sealy Mattress all ETP staff site visit meetings.

The IM Group shall act promptly with respect to any matters arising in connection with the Program.

Except as otherwise herein provided, The IM Group has authority with respect to the ETP Agreement and other matters with and before the ETP on behalf shall be further limited as follows:

1. The IM Group may not execute the contract for Sealy Mattress with the ETP for training, nor may it execute any amendment to that contract, nor may it execute any participants certification documents, enrollment, or termination documents nor any other fiscal documents related to this contract.
2. The IM Group shall not make binding fiscal commitments with the ETP on behalf of Sealy Mattress
3. The IM Group shall, in the course of its performance pursuant to this Agreement make effort to operate as a good, responsible, and ethical citizen of the U.S. and shall comply with all applicable laws of the U.S. and California.

Agreed to for the IM Group:

Steve Abbott
Steve Abbott, Vice President

Dated: 5/2/06

Agreed to for Sealy Mattress.:

Arthur F. Masquer Dated: 5/2/06
DIRECTOR of MANUFACTURING
RICHMOND, CA

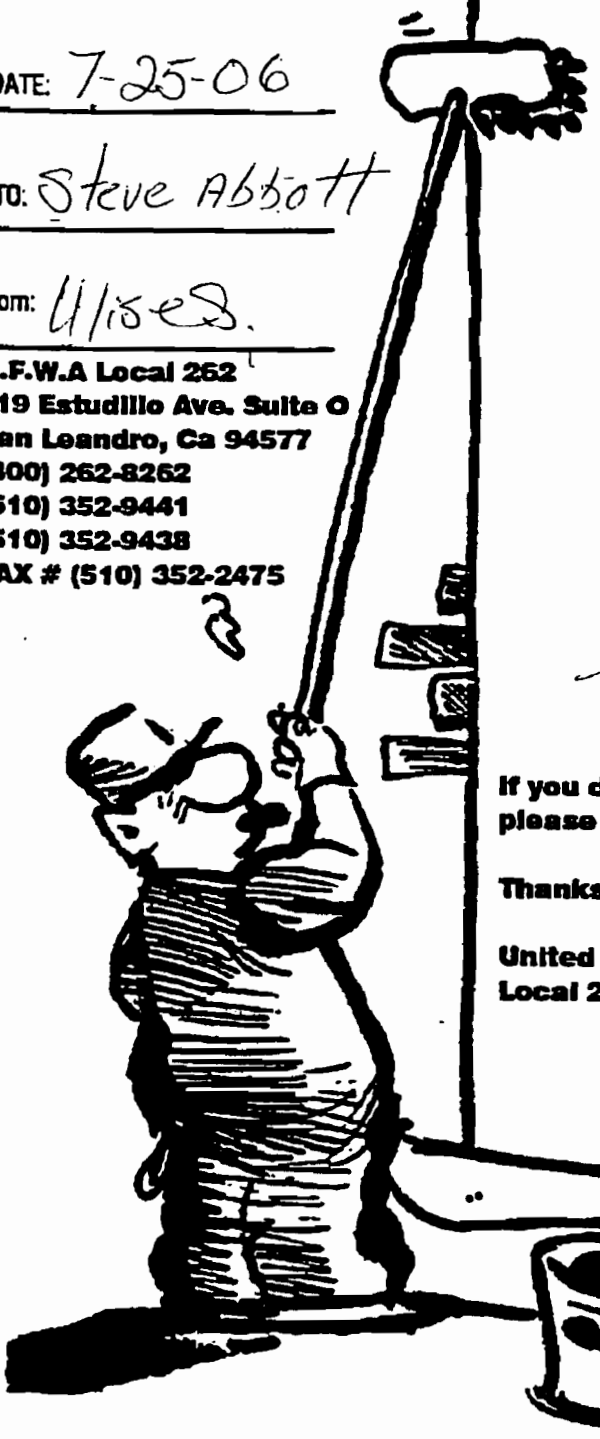
Fax

Total number of pages: 2

Message:

DATE: 7-25-06TO: Steve AbbottFrom: UFW

U.F.W.A Local 262
519 Estudillo Ave. Suite O
San Leandro, Ca 94577
(800) 262-8262
(510) 352-9441
(510) 352-9438
FAX # (510) 352-2475



THANK YOU.

If you do not receive this entire message,
please call our office.

Thanks,

United Furniture Workers of America
Local 262

Local 262*United Furniture Workers of America AFL-CIO / CLC*

519 Estudillo Ave., Suite O, San Leandro, CA 94577

Union Office: (510) 352-9438



Insurance Claims: (510) 352-9441

July 25, 2006

State of California
Employment Training Panel
1100 J Street, 4th Floor
Sacramento, CA 95814

It is my understanding that Sealy Mattress is preparing an application for submission to the State of California Employment Training Panel for funding of training exercises. On behalf of the IUE-CWA-UFWA Local 89262. I want to communicate our support with regards to their application for funding through the jointly by labor and management and will assist in developing new skills to advance the workforce.

Thank you for your thoughtful consideration of this proposal. Please feel free to call me if you need further assistance.

Sincerely,

Ulises Vergara,
Business Representative

Aug 15 06 01:46p

(562) 633-9527

P. 2



Communications Workers of America Local 9400

AFL-CIO, CLC

7844 Rosecrans Avenue, Paramount CA 90723-2296 562.259.9400 562.633.0536 Fax CWA9400@pachell.net

Michael J. Hartigan
President

August 14, 2006

State of California
Employment Training Panel
1100 J Street, 4th Floor
Sacramento, CA 95814

On behalf of CWA 9400 members working at Sealy Mattress, Inc. in South Gate California, the Union is sending this letter in support of funding for training at Sealy. Manufacturing jobs in America are dependent on being competitive. In order to be competitive in the marketplace our members need ongoing training. The Union and management will work together to establish training that will ensure the development of job skills needed to do the work.

Thank you for your consideration for funding at Sealy Mattress. If you have any questions please feel free to contact me at 562-259-9430.

Sincerely,

A handwritten signature in cursive script that reads "Vicki Di Paolo".

Vicki Di Paolo
Vice President

JOHN F. HARREN, Secretary-Treasurer

MARY LOU SALMERON, President

TEAMSTERS LOCAL 986

MISCELLANEOUS WAREHOUSEMEN DRIVERS AND HELPERS

1198 DUFFEE AVENUE • SOUTH EL MONTE, CA 91733 • PHONE (626) 350-9860 • FAX (626) 448-0986

August 14, 2006

State of California
Employment Training Panel
1100 J Street, 4th Floor
Sacramento, California 95814

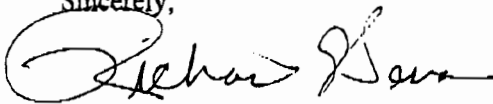
TO WHOM IT MAY CONCERN:

It is my understanding that Sealy Mattress is preparing an application for submission to the State of California Employment Training Panel for funding of training exercises.

On behalf of Teamsters Union Local 986, I want to communicate our support with regard to their application for funding through the jointly by labor and management and will assist in developing new skills to advance the workforce.

Thank you for your thoughtful consideration of this proposal. Please feel free to call me if you need further assistance.

Sincerely,



Richard Sena
Business Representative

RS:mls

